



Utah Governor's Office *of* Economic Development

European Roundtable Discussion Greece's Debt Crisis



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Crisis Timeline

Jan 2001: Greece becomes a member of the Eurozone
-Economic and Monetary Union of 16 European Countries

Member Countries

- | | |
|-----------|--------------|
| – Austria | –Italy |
| – Belgium | –Luxembourg |
| – Cyprus | –Malta |
| – Finland | –Netherlands |
| – France | –Portugal |
| – Germany | –Slovakia |
| – Greece | –Slovenia |
| – Ireland | –Spain |



Crisis Timeline

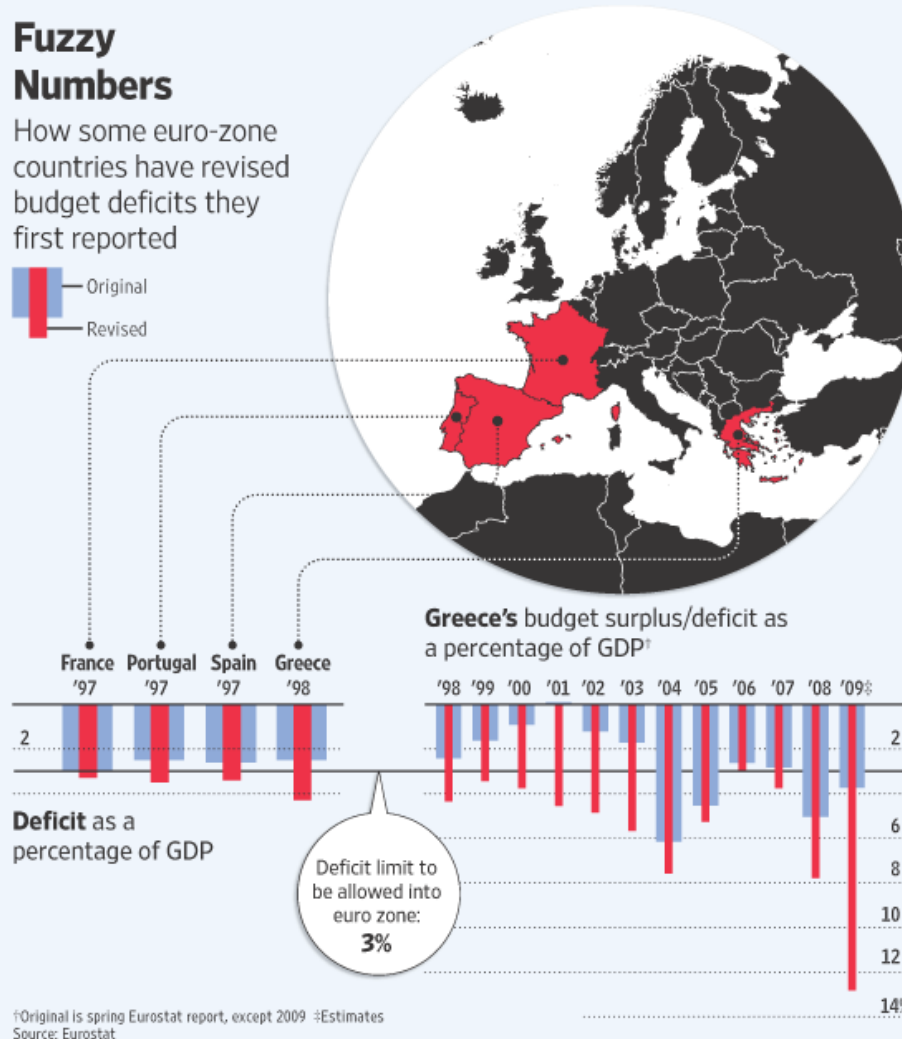
- **Jan 2001:** In order to become a member of the Eurozone, countries must meet certain fiscal requirements
 - Budget deficit ceiling of 3% of GDP
 - Public debt ceiling of 60% of GDP



Crisis Timeline

Fuzzy Numbers

How some euro-zone countries have revised budget deficits they first reported



- Greece was not the only country with questionable figures
- Several other countries revised debt figures to much higher levels in order to join the Eurozone



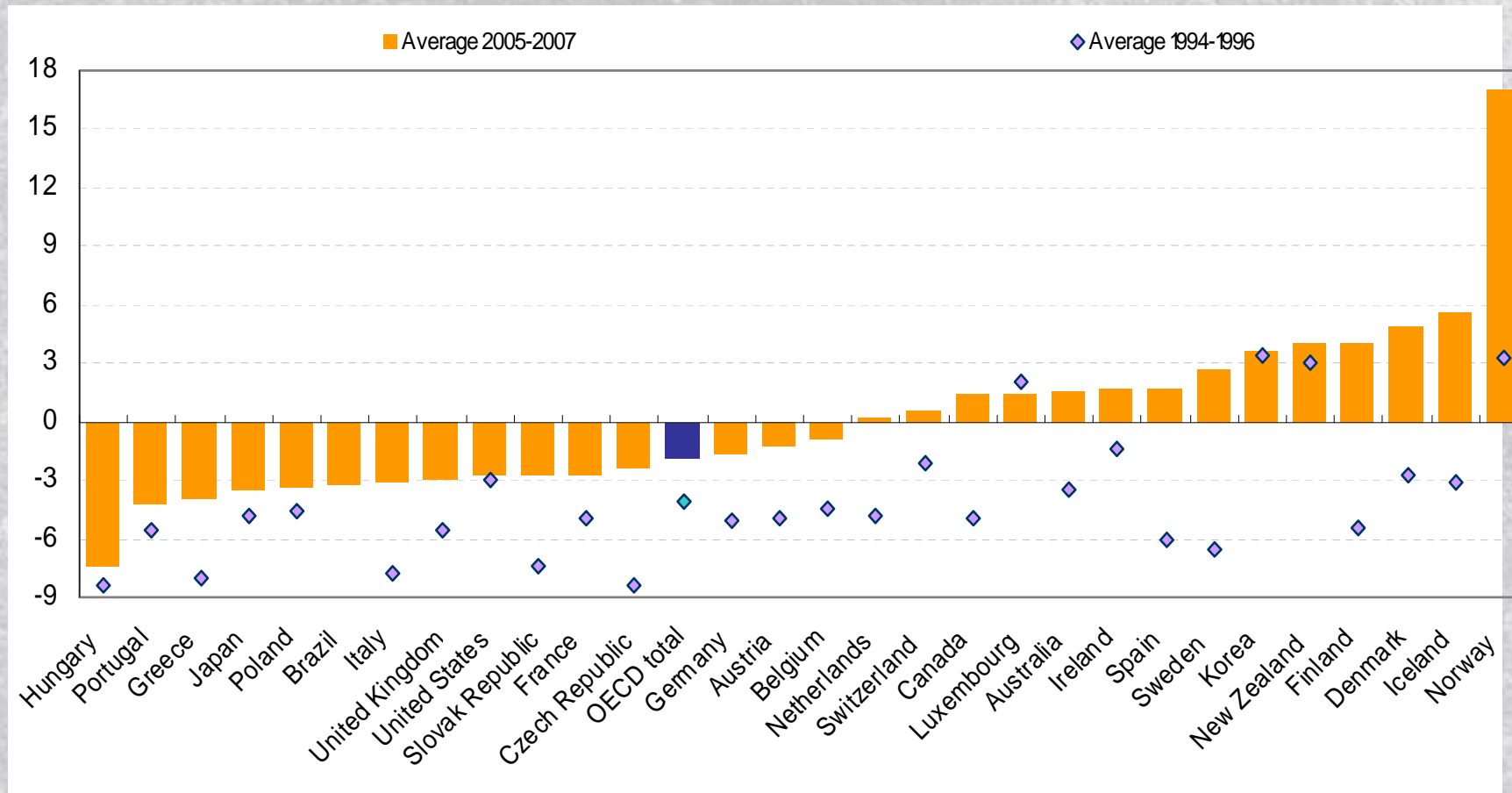
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Crisis Timeline

Government net borrowing/net lending

As a percentage of GDP



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Crisis Timeline

- **2001-2009:** Years of failure to reform the economy and reduce public spending create fiscal problems in Greece
 - Budget Deficit: 12.5% in 2009
 - 2010 Public Debt Estimate: 120%
- **Nov 2009:** European Union leaders apply pressure on Greece over budget issues
- **Dec 2009:** Major rating agencies cut Greece's rating to BBB+



Crisis Timeline

- **Feb 2010:** Prime Minister Papandreou's Response
 - Austerity plan announced
 - Spending Cuts
 - Public sector salaries
 - Freezing state funded pension funds
 - New Taxes
 - Raise Value Added Tax 2%
 - Fuel
 - Alcohol
- **Feb 2010:** European Union discusses bailing out Greece
- **Mar 2010:** Public and private sector workers strike creating political turbulence in Greece



Crisis Timeline

Mar 2010: Public and private sector workers strike creating political turbulence in Greece



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Crisis Consequences

- **Contagion:**

- Countries such as Ireland, Spain, and Portugal will also enter into crisis



- These major countries will exacerbate the problem
 - Lead to a credit crunch in Europe



Crisis Consequences

- Other Consequences for Europe
 - New countries will not join the EU or Eurozone
 - Countries could leave the Eurozone
 - Loss of sovereignty over financial matters
 - An IMF intervention would give the U.S. and other countries a say in European Affairs
 - Devaluation of the Euro



Consequences for the U.S.

- Possible devaluation of the Euro
 - Leads to a relative strengthening of the dollar
 - U.S. exports become more expensive
 - Europeans unable to buy as many U.S. products
- Greece owes the world \$300 billion
 - Much of the debt is held by major banks
 - A default would reverberate around the world



Consequences for Utah

- Current Utah Exports to:
 - Europe: \$4.7 billion
 - Greece: \$5.8 million
 - Portugal: \$2.5 million
 - Spain: \$44.7 million
 - Italy: \$73.3 million



Consequences for Utah

- Major Goods Exported by Utah
 - Precious Metals
 - Computer & Electronic Products
 - Transportation Equipment
 - Chemicals
 - Manufactured Commodities
 - Electrical Equipment
 - Plastic & Rubber Products
 - Food Products



Consequences for Utah

- The Good News
 - Greece avoided a further downgrade to its credit rating by Standard and Poor's (S&P)
 - S&P stated that the government's reduction measures were, "appropriate to achieve its 2010 fiscal target"
 - Deficit expected to decrease to from 12.7% to 8.7% in 2010



Consequences for Utah

- The Good News
 - President Obama announces federal support to double exports in the next five years
 - Creation of Export Promotion Cabinet
 - Increased funding for trade missions
 - Public-private partnership with logistics companies like FedEx Corp and United Parcel Service
 - \$2 billion-a-year trade finance facility for small and medium-sized businesses
 - Improving export regulations to increase speed of exports





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